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Foreign and Commonwealth Office

London SW1A 2AH

27 October 1988

cc PC
D/C

Dear Charles,

Prime Minister's Visit to Poland: 2-4 November 1988

The Polish authorities consider this visit to be of the greatest importance. It is the first visit ever by a British Prime Minister, and the first by the Head of Government of a major NATO State since Martial Law. General Jaruzelski will do all he can to make it a success.

/ I enclose a folder of briefing material, the contents of which are listed at Annex A. The programme is at Annex B.

UK Objectives:

- to press on General Jaruzelski the imperative need for economic and political reform;
- to convince him that economic reform will not work unless the people are offered a vision of a future Polish society in which they can participate fully;
- to demonstrate a positive attitude to the problems of the Polish economy, on the assumption that the Poles show determination to put their own house in order, without committing the UK to new credits;
- to show our strong support for human rights and civil liberties;
- to give our view of prospects for East/West relations, including arms control;
- to explore Polish views on the Soviet reforms, Polish/Soviet relations, and the prospects for Eastern Europe generally;
- to fend off requests for the repatriation of General Sikorski's remains.

/Polish



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Polish objectives:

- to show that Poland has returned to respectability in the eyes of the West, and to enhance the authorities' standing and credibility with their own people;
- to demonstrate that progress has been made in democratisation and economic reform;
- to press the UK to urge other Western Countries to work towards a longer term approach to the Polish debt problem;
- to get the Prime Minister to support the Polish position on IMF conditionality, and in particular to persuade the US to take a more favourable line on an IMF agreement;
- to gain the UK's support for the "Jaruzelski Plan" for disarmament;
- to persuade the Prime Minister to agree to the transfer from the UK of General Sikorski's remains.

General

The visit comes at a critical time for Poland and for General Jaruzelski personally. He became Party leader in October 1981, during the most difficult period in Poland's post-war history. He banned Solidarity and imposed Martial Law in the belief that Poland would otherwise slide into chaos and that this would lead to Soviet intervention to restore order. Martial Law was lifted in July 1983 and Jaruzelski has since tried to increase the acceptability of the regime, but the hard-line forces within the Party have limited his room for manoeuvre. Consequently he has refused any dealings with the Opposition and avoided any changes which would undermine the primacy of the Communist Party. The result has been stability, but at the cost of political and economic stagnation.

The decline in the Party's authority and economic failure forced Jaruzelski in the autumn of 1987 to announce a series of reforms. These acknowledge the need for greater reliance on market forces and had as their centrepiece a reduction in subsidies. He also promised political reforms, but without spelling them out. In an unprecedented gesture aimed at winning popular support and silencing critics within the Party, he put the package to a referendum in November 1987. This however failed to win the necessary absolute majority, and the price reform had to be implemented in a diluted form.

/Spiralling

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Spiralling inflation and disappointment over political reform led to a new wave of industrial unrest in April and May of this year. A new feature was the major part played by workers too young to have been active in Solidarity in 1980/81. Disenchanted with the prospects for the future, the younger generation represent a new, more radical, sector of the workforce. The strikes were suppressed by the Militia and the Government considered that it had dealt a serious blow to Solidarity. More serious and more widespread unrest broke out in several industrial towns in mid-August. The basic motivation was economic, but on this occasion demands for the legalisation of Solidarity spread rapidly. Faced with an urgent need to limit the damage to the economy, the authorities proposed talks with Walesa in exchange for his agreement to bring the strikes to an end. Despite opposition from groups of workers who feared a sellout, Walesa negotiated a return to work.

The Government's acceptance of Walesa as an interlocutor was a reversal of the policy pursued since 1981, and opens a new chapter in the country's political life. The Government has proposed Round Table talks, and negotiations on the agenda and choice of participants are still continuing. Both sides will be negotiating from a position of weakness. Jaruzelski runs the risk that moves towards the legalisation of Solidarity would undermine his support within the Party. Walesa will be discredited with many of his supporters if he accepts anything less than full legal recognition. Both sides know that failure could lead rapidly to further industrial unrest, and to an exceedingly uncertain future. The Government's tactic may be to engage Walesa in a lengthy process of negotiation without making any real concessions, but the risks of this course are great.

There was widespread criticism of the Government's handling of the August crisis and its longer-term handling of the economy, and this led to the resignation of Prime Minister Messner on 19 September and the appointment of Rakowski as his successor. The new Prime Minister was Walesa's main opponent in 1980/81 and is viewed with considerable suspicion by sections of the Opposition. In the uncertain atmosphere in the run-up to the Round Table talks, no significant Opposition figure was willing to serve in his Government. The new Government, announced on 14 October, is unlikely to have much more authority than its predecessor, although it does contain some interesting figures, including a private entrepreneur.

/Relations

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Relations with the West

Poland has been working hard to rehabilitate itself in the eyes of the West. Traditional links have been resumed since the release of most political prisoners in 1986. (A number of political activists have since been imprisoned, ostensibly on criminal charges, but only one remains in custody). Mr Renton, then Minister of State at the Foreign and Commonwealth Office, visited Poland in February 1987 and the United States lifted sanctions the same month. Subsequent visitors have included a series of Western Foreign Ministers, and Vice-President Bush. The former Polish Foreign Minister Orzechowski made several visits to the West, including one to the United Kingdom. General Jaruzelski has not yet secured an invitation from a major Western country, although he went to the Vatican (and thus Italy), Japan and Greece in 1987. During a brief visit to Paris in 1985 he was received by President Mitterrand, but in a "back-door" fashion, which soured relations.

The UK has played a leading role in encouraging the Poles to adopt more acceptable domestic policies. The Foreign Secretary's visit in April 1985 was an important step: it established the current practice of including meetings with the opposition in official visits.

Western Economic Policy

While the commercial banks agreed in July 1988 to reschedule almost all the debt owing to them, the official creditors in the Paris Club have rescheduled only the maturities falling due this year, because of the lack of an IMF programme. No bilateral agreements with the individual creditors have been concluded because the Poles have been holding out for below-market interest rates. Most Western creditors are reluctant to consider substantial longer-term assistance in the absence of the more coherent economic policy needed for an agreement with the IMF. But discussions between Poland and the IMF on the possibility of a stand-by agreement have so far proved inconclusive, both because of Polish unwillingness to accept the pace of adjustment recommended by the IMF, and doubt that the US would agree to an IMF programme.

/Meetings

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Meetings with General Jaruzelski & Prime Minister Rakowski

The Prime Minister will wish to seek her interlocutors' views of the prospects, and the implications, of the new Government's policies. She will no doubt want to encourage plans for more thorough-going economic reform. She may wish to stress that the Poles are right to see greater openness to market forces as the only way to long-term prosperity; that effective reform will be necessarily wide-ranging and painful; and that it may only be possible once a greater degree of national consensus is established.

On economic and financial assistance, she may be told that the Poles have concluded that a Latin American-type solution to their debt problems, ie long-term rescheduling with a lengthy grace period, was the only way out of their economic predicament. They may press the Prime Minister to act as their spokesman in the West to press their case. In response, she might confirm our willingness to go on rescheduling Polish debt, to the extent necessary to meet their genuine needs, within Paris Club terms. The Prime Minister could say that economic reform and reconstruction in Poland must run hand in hand with political dialogue and liberalisation. Only when economic reform becomes a reality and large sections of Polish society cease to doubt the capacity of their leaders and industrial managers to deliver will Western confidence begin to be restored. Economic and political reform could thus open the way for a whole new era in Poland's economic relations with the West. It will of course be important to avoid any commitment on the UK's part to debt rescheduling and new credits, but the Prime Minister could indicate that if and when Poland was at last seen to be on the right track, she would not hesitate to urge other Western leaders (particularly, by implication, the new US Administration) to draw the appropriate policy conclusions.

If appropriate the Prime Minister might also mention our willingness to help with management training, as evidence of our desire to make a practical and realistic contribution. (We are looking urgently at the point made in your letter of 26 October on this.) The Poles may also raise the question of small business development and, if they do, the Prime Minister will wish to respond positively.

On trade, ECGD are currently providing cover only for short-term business. The Poles had suggested we should make an exception in the case of a British tender for the extension of Warsaw airport, arguing that it would earn foreign exchange

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which could be placed in an escrow account to repay the debt. If this issue is raised, the Prime Minister could say that we regret we cannot make an exception. The question of resuming new medium-term credits must be tackled as a matter of general policy, not on a case by case basis.

The Poles may complain about Costain's involvement in a PVC plant at Wloclawek (VWOTSWAVEK). The Prime Minister would be entitled to respond bullishly. Costains reacted promptly to a Polish plea for help, offering all possible assistance in sorting out the plant's difficulties, provided the Poles issued acceptance certificates. But the Polish response has been wholly negative. It is possible that the Poles will ask for the restoration of £6m worth of credit which we originally offered for Wloclawek but which was never fully utilized. If they do, the answer should be the same as for the airport.

On political reform, the Prime Minister may wish to acknowledge that some steps have been taken, but she will also wish to stress that economic progress is unlikely to be achieved unless there is greater political freedom and mechanisms for people to express their views. Imprisonment and harassment of opposition activists should cease. The Prime Minister will wish to press General Jaruzelski on trade union pluralism and, above all, on freedom of association and the need for democratic structures. General Jaruzelski may question her apparent support for those who organise strikes and provoke instability. The Prime Minister may wish to point out that it is precisely the absence of representative political institutions which makes strikes the only channel for the people to express their frustrations, and which has forced Solidarity into a political role. This is also why Walesa and Solidarity have become a symbol in the West of freedom for the Polish people. The legalisation of Solidarity would have a huge impact and ease relations with the West. It would also help to de-politicize Solidarity's role.

Poland/EC

In line with most of its East European partners, Poland recently established official relations with the EC. They have also held a series of informal talks with the Commission (most recently on 20/21 September) to lay the basis for negotiations on a Trade and Commercial Cooperation Agreement (which may eventually also include some elements of economic cooperation).

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If raised, the Prime Minister might reaffirm the importance we and our Community partners attach to developing our trade and economic links with Poland, and make clear that we intend to approach the forthcoming negotiations in a positive and constructive manner. However, the Community's relations with Eastern European countries are tailored to the degree of political and economic reform in the country concerned: Poland cannot expect to achieve in an Agreement as much as Hungary has obtained.

East/West Relations

The Prime Minister will want to explore Polish views on Gorbachev's political and economic reforms, the durability of Gorbachev himself, the Soviet nationalities question, with particular reference to Poland's Baltic neighbours, and the effect of Gorbachev on Eastern Europe in general. The Poles regard themselves, on the whole rightly, as having already gone some way along the path the Russians have now just entered, particularly as regards glasnost and political reform, and as being therefore under little or no obligation to follow the Gorbachev lead. Like other East Europeans the Polish leadership are nervous about how long Gorbachev will last and unsure of where the limits of Soviet tolerance now lie. The Polish population can see that Gorbachev's arrival in power has enlarged their potential freedom of manoeuvre but appear relatively cynical about Gorbachev himself. His June visit to Poland was not the popular success widely expected: it was too wooden and stage-managed, and he glossed over the issues like Katyn and refused to answer questions about the invasion of Czechoslovakia. On the Soviet side, there have been some signs of attempts to learn Polish lessons, eg on the need for very careful handling of price reforms. But the Russians probably do not think that the overall Polish experience has much to teach them. The Prime Minister could legitimately ask about relations between the Soviet Union and Poland, including such issues as the supposedly better treatment of Polish minorities in the Soviet Union and the progress of the Historical Commission on "blank spots" in Soviet/Polish history.

On the broader East-West front, the Poles are inevitably minor players, despite occasional Polish propaganda initiatives in the arms control field. Like other East Europeans, they see better East-West relations as increasing their freedom to manoeuvre and hope that the present

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improvement will be maintained with the hope of relaxing the Soviet grip further, not least through eventual Soviet troop withdrawals from Eastern Europe. The Prime Minister will wish to underscore our welcome for the advance of "new thinking" in Soviet foreign policy: there are now indications of readiness to facilitate negotiated solutions in most of the world's trouble-spots, most recently in Ethiopia and in PLO attitudes to Israel, as well as in Angola, Cambodia and Afghanistan. She will wish to warn that we still see some way to go before the results match up to the PR billing: nonetheless we have seen a marked shift in the conduct of Soviet foreign policy as we have known it since the mid-1950's and will be looking for areas in which we can work positively together. She could stress the British and Western commitment to a more constructive East-West relationship, not least to bring closer the prospect of a Europe without its present artificial barriers. She could add that this can only come about when people and ideas flow between East and West as freely as they do within the West, and that any renewed repression in Eastern Europe, particularly if encouraged or organised by the Soviet Union, would inevitably have the severest effect on East-West relations.

The Poles have on the whole adopted a flexible attitude in the Vienna CSCE Meeting. If the Poles lobby for Moscow for the third stage of a Conference on the Human Dimension, the Prime Minister may wish to express her doubts on its suitability. The Poles could also seek support for their proposal for a Cultural Heritage Symposium in Krakow (1990?). Co-sponsors include Austria, Hungary, France, FRG and Italy. We are doubtful, not least in view of the proliferation of proposals for costly follow-up activities (but could probably live with a meeting on these lines as a sop to the East). The Prime Minister could stress our wish to limit the number of follow-up meetings to six or seven. UK priorities are the two sets of military security negotiations (conventional stability/confidence-building measures), the 3-stage Conference on the Human Dimension and the London Information Forum. Now that the Romanians appear to be negotiating much more flexibly at Vienna, the Prime Minister may wish to express the hope that business can be concluded soon - but stress that we will not pay a human rights price for an early close.

The Poles may raise the "German Question", ie probe our views on Poland's Western border (the Oder-Neisse line), reunification, and FRG/GDR relations generally. If so, the Prime Minister might take the line that we recognise and

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respect Europe's post-war borders (although final delimitation in international law has to await a peace settlement with Germany as a whole) and that we welcome the practical progress that has been achieved towards breaking down the barriers between East and West, especially in terms of increased travel by GDR citizens to the West.

Arms Control

Within the constraints of their Warsaw Pact membership the Poles have tried to stamp their national identity on the arms control scene. In May 1987 General Jaruzelski announced a 'Plan' for "disengagement in Central Europe". This called for combined negotiations on conventional force reductions, confidence building and defensive military doctrine; and proposed the establishment of a 'zone of dispersed armaments' as a means of eliminating the possibility of surprise attack. Following consultations with other CSCE countries a new version of the Plan was unveiled in July this year, the prime difference being that the proposed talks on removing tactical nuclear weapons were now separated from those on conventional stability (but given greater prominence).

The Plan sets out current Polish as distinct from Warsaw Pact priorities. It reflects Polish concern for greater stability at lower levels of armaments and desire to reduce the risk that Poland could become the battle-ground of the next war in Europe (Poland would serve as a strategic reinforcement zone for Soviet forces in the GDR). To the extent that the plan is a Polish (as distinct from a Soviet) initiative it is welcome: the emphasis on the elimination of the capacity for surprise attack, confidence-building and defensive military doctrine are all in accord with Alliance policy. But in that its primary focus is on further nuclear reductions, it is unacceptable. Moreover the notion of a 'dispersed' zone for armaments (centring on the inner-German border) is vehemently opposed by the FRG and prejudices Alliance requirements for forward defence. Neither the original nor the latest version of the Plan has achieved much international resonance, nor has it enhanced General Jaruzelski's profile in the arms control arena.

If the Plan is raised with the Prime Minister she might say that it contains some elements with which we agree but several which cause us difficulty. She might reaffirm our conviction, endorsed by the NATO Summit, that a denuclearised Europe would not enhance European security and stress that

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NATO will continue to keep its nuclear capability to a minimum: the 35% reduction in warheads since 1979 is tangible proof of this. She could point out that Soviet modernisation meanwhile continues apace, for example in maintaining at least five SNF range nuclear-armed stand-off missiles, whereas NATO has none. She could stress that our next priority is to tackle the conventional imbalance in Europe and to secure a verifiable global chemical weapons ban. She might also ask how the Plan is intended to dovetail with current work on conventional arms control and confidence-building in Vienna, on which the Poles have hitherto provided no explanation.

More generally on the conventional side, she might express satisfaction with progress in the CST mandate talks and look forward to the early launch of the parallel CST/CSBM negotiations: it is still possible that these could begin this year. But this depends on a satisfactory outcome to the Vienna CSCE Review Meeting, notably in respect of human rights.

On chemical weapons the Prime Minister will want to reaffirm our commitment to a comprehensive, effectively verifiable, global ban, and counter suggestions that a Central European CW Free Zone is a desirable step towards a global agreement. If the Poles accuse us of dragging our feet in the CW negotiations, she could point to the need for more detailed input from Warsaw Pact countries and greater glasnost; the Soviet Union was far from frank during the UK experts' visit to Shikhany earlier this year.

Middle East

The Prime Minister will wish to remind the Poles of our support for a peaceful settlement of the Arab/Israel dispute based on territorial compromise via an international conference. The PLO need to make substantive changes in their policy (explicit recognition of Israel's right to exist, unambiguous renunciation of violence and acceptance of UN Security Council Resolutions 242 and 338). Legalistic moves (such as provisional government/ government in exile) are not enough. The Prime Minister may also wish to probe the Poles on whether they will further upgrade their relations with Israel, as Hungary has recently done. She might also encourage them (and their allies) away from extreme resolutions and anti-Israeli polemic at the UNGA, stressing that polarisation of the debate is counterproductive.

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On Iran/Iraq, the Prime Minister may wish to explain our support as a Permanent Member of the Security Council for the Secretary General in his work to achieve the full implementation of UNSCR 598 at the Geneva talks. With the talks deadlocked, it remains essential to maintain East/West cooperation in pursuit of a settlement. Any contact which the Poles have with the parties, in particular Baghdad, should be used to urge cooperation and flexibility. The Prime Minister may also wish to underline our concern at Iraqi use of CW against Iran, and allegedly against their own Kurdish population. We hope the Poles will support action to bolster the authority of the 1925 Geneva Protocol, UNSCR 620, and the efforts of the Security Council with the UN to prevent future use and proliferation of CW.

Solidarity

The Prime Minister's meeting with Solidarity will consist of a restricted meeting with Walesa followed by lunch with a larger group of Solidarity leaders and advisers. The meeting with Walesa in Gdansk will be highly symbolic for the Polish people and strengthen Walesa's hand both within Solidarity and with the authorities.

The next round table talks between the authorities and the opposition may be postponed until after the Prime Minister's visit. Walesa will no doubt refer to the Government's attempts to minimize Solidarity's role in the talks and to avoid the issue of trades union pluralism. The Prime Minister will no doubt want to ask about prospects for the negotiations. She may wish to say that reform of the economy will not be achieved without wage control and closures of inefficient enterprises. How can Solidarity help with economic reform, given its support for wage increases? What political inducements are needed to sweeten the pill of economic reform? Can Solidarity control the increasingly militant young activists? Will the union lose support if it cooperates with a government which many think discredited?

Walesa may raise the question of financial assistance to Poland. The Prime Minister may wish to take the same line as with Jaruzelski: that she will consider this once convinced that Poland is on the right track economically and politically.

/The Church

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The Church

The Church played a key role in promoting the recent talks between Walesa and the authorities. The main intermediaries have been Bishop Dabrowski and Professor Stelmachowski, the Chairman of the Warsaw Catholic Intellectuals' Club, and a close friend of both Cardinal Glemp and Walesa. The Prime Minister will wish to seek the views of Church leaders on the prospects for reform. She may want to ask about the Church's role as the only alternative structure, set of beliefs and channel of expression outside the regime in Poland. The Pope on his three visits to Poland has been outspoken in his support for human rights and political freedoms. But the Church is not united. Some parish priests are very close to Solidarity. But others, especially in the hierarchy, would like the Church to play a less overtly political role.

Independents

The Prime Minister will meet two groups, and, in the official programme, a group of Consultative Council members. The first group (at 2000 on 2 November) includes people from the societies promoting economic liberalism and private enterprise which have been permitted to form in the last two years. They will be keen to have the Prime Minister's views on their ideas in the light of her own experience. She could ask them how their ideas are received both by the political establishment and by the opposition; and to what extent they are influenced by Western thinking.

The second group (1500 on 3 November) consists of independent figures associated with the opposition from the so-called "alternative Consultative Council". They are now referred to as "Walesa's brains trust". The Prime Minister could ask them for their assessment of cultural and intellectual life and freedoms in Poland, and how the proposed new law on associations is likely to affect this.

Bilateral Issues

The Prime Minister may wish to express support for the British Council, which is extremely active and celebrates its 50th anniversary in Poland this year. She may wish to stress the importance we attach to cooperation in the fight against

/drugs.

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drugs. Our law enforcement agencies already liaise. A formal agreement is not essential to us but we would consider one if the Poles considered it necessary. The Prime Minister may like to welcome the proposal for an exchange of ship visits, suggesting that officials should discuss dates and places.

If the Poles raise problems with visas, the Prime Minister may wish to point out that our system of immigration control is different from that of the Poles. They have a post-entry system, we rely on pre-entry and on-entry checks. We are aware that there have been delays in the past, which we regret. Action has been taken to provide a speedier visa service through better communications and streamlined procedures in Warsaw and London. If there is criticism of high visa fees the Prime Minister could say that we are mindful of our commitments under CSCE, but that we also have a domestic obligation to making entry clearance operation overseas self-financing by early 1990s. This can only be achieved by regular, modest fees increases. However, the single visit fee (applicable to the vast majority of Polish travellers to the UK) remains unchanged (at £20) since November 1986.

General Jaruzelski is certain to raise the Polish desire to have General Sikorski's remains removed from Newark cemetery to the Cathedral in Krakow. The Prime Minister may wish to repeat what she told Foreign Minister Orzechowski in December: that she could not agree to this for the moment, but that she hoped a transfer could one day take place with the approval of all Poles.

General Jaruzelski will be hoping to secure a return invitation to the United Kingdom. He has never paid a full-scale visit to a major Western capital. But given his association with martial law, an early visit would attract criticism from the Polish lobby and more widely in the UK. If Jaruzelski perseveres with reforms over the next few years a visit could then be justified. But we should not suggest one at this stage. The Prime Minister might say that she looks forward to an increase in contacts between the two governments, and propose that the first step should be a visit by Mr Rakowski, perhaps in 1989/90. This would seem quite natural and uncontentious; and it would allow us to keep our options open on a visit by Jaruzelski, which would depend on the Poles' future performance.

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Although the Poles have considerably relaxed their passport regime over the last eighteen months, there remain cases where opposition activists are denied exit visas. We have protested to the authorities over those involving visits to the UK. Three such current cases concern Moczulski, leader of the Confederation for an Independent Poland, who had been invited to talk to MP's; Professor Geremek, Walesa's main adviser who had planned to attend a conference in Oxford; and Dr Penson, Walesa's doctor, who has a daughter and grand-daughter in Scotland. A decision on Geremek's passport was delayed until it was too late for the conference; the other two were refused. The Embassy raised all three with Polish officials on 5 October. A possible explanation was promised in the case of Dr Penson, but we were told that the other two were not considered to be any of our business.

I am copying this letter to Trevor Woolley (Cabinet Office).

Yours ever,

(L Parker)
Private Secretary

C D Powell Esq
10 Downing Street

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Foreign and Commonwealth Office

London SW1A 2AH

28 October 1988

Jane

Dear Charles, *with the COP*

Prime Minister's visit to Poland

Since I wrote to you yesterday with the briefing for the visit, Warsaw have telegraphed with some amendments to the personality notes at Annex C. These are now enclosed.

Yours ever,

L Parker

28 October 1988

(L Parker)
Private Secretary

C D Powell Esq
PS/No 10 Downing Street

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PRIME MINISTER

VISIT TO POLAND

I attach a very full set of background briefs for your visit to Poland. I think you will want to read them in full if you have time - they are comprehensive, covering both Poland's history and recent developments, with a good set of notes on the main people whom you will meet.

C D R

(C.D. POWELL)

27 October 1988

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BRIEFING PAPER FOR THE PRIME MINISTER'S VISIT TO POLAND
2-4 NOVEMBER 1988

RYAN INTERNATIONAL plc

Ryan International plc (Ryan) is a plc with an annual turnover of £120m with some 10,000 shareholders mostly UK based.

The company is the largest opencast contractor in the UK; operates underground mines licensed by British Coal; recovers coal from mine discard tips and it has extensive marketing operations. It operates in the US in Belgium.

POLAND

In 1986, a tip was identified in the Silesia area of southern Poland called Trachy Tip containing approximately 11 million tonnes with 15% recoverable coal. The plant costing £3 million has been designed to process the material, recovering 100,000 tonnes of coal per annum.

The joint venture agreement has been agreed owned:

Ryan Poland Ltd (Registered in the UK)	50%
Gwarectwo Kopaln Piaksu	40%
Kopex	10%

Ryan International has stationed engineer Michel Redoute in Poland to oversee the fabrication of the plant and will be taking three Polish citizens to Belgium for training. Operations will commence in September 1989, when there will be some 35 people employed.

PRESENT STATUS OF JOINT VENTURE

Detailed approvals have been sought from the Ministry of Foreign Economic Relations for the project. Certain queries have been raised and have delayed the initiation of the joint venture. Final approvals have been received and the joint venture will be signed in Warsaw on the 4 November.

FURTHER POTENTIAL BUSINES IN POLAND FOR RYAN INTERANTIONAL plc

There are many power stations in Poland which generate power for a limited number of hours each year. A seminar was held in Warsaw chaired by Ryan Poland Limited. An American corporation called TRW Inc of Cleveland, Ohio, was invited to present certain leading technology developed by it for the conversion of power stations from oil or gas to coal or low grade fuel burning. This can result in generating capacity at approximately 1/5th of the capital cost of a new power station, and the ability to burn local, non exportable low grade fuels. Ryan International is working with TRW in the UK for similar conversions to Aberthaw Power Station, South Wales.

The Polish authorities have indicated that they are keen to build a pilot plant of 5 MW to burn local brown coal.

In parallel there is a 400MW power plant currently burning oil to be converted to burn local brown coal.

Ryan International is the lead company in bringing this technology to Poland and is using the American supplier for part of the equipment.

Ryan International will cause the plant to be fabricated in Poland as far as possible. As a guide, the total value of this conversion could be in the order of US\$100m to US\$150m.

In order to enable this project's capital costs to be serviced in hard currency, it is proposed that:

1. Coal recovery plants will be erected to supply fuel to the power station, and
2. Fine particle recovery systems developed be built to enhance coal production by some 5%. This additional coal will be exported to generate hard currency.

It is anticipated that the consequential improvement in balance of payments will be sufficient to service the hard currency elements involved in all three aspects of these projects. It is anticipated that there will be several power stations which can be converted, the first three having been identified.